



# NEWS

## RELEASE

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### ***RULE MAKES SBA-BACKED SURETY BONDS MORE ACCESSIBLE FOR SMALL FIRMS IN HUBZONES***

**WASHINGTON – Small companies located in HUBZones can qualify for higher government guarantees on surety bonds for construction and service contracts and contract bids under a new rule announced this week by the U.S. Small Business Administration (SBA).**

The rule, which takes effect May 15, increases the SBA guarantee on surety bonds issued to these companies from 80 percent to 90 percent, and should make it easier for these firms to compete for government and private sector contracts.

Generally, the guarantee is set at 80 percent, except for contracts under \$100,000 and bonds issued on behalf of small businesses owned and controlled by socially and economically disadvantaged individuals.

**“Small businesses rely on this program to allow them to compete for construction and service contracts,” SBA Administrator Aida Alvarez said. “The SBA guarantee can spell the difference between success and failure for thousands of small contractors without the resources to qualify for surety bonds on their own.**

**“When SBA can guarantee a surety bond for one of these companies, we help knock down a significant obstacle to that company’s ability to compete. Making it a little more attractive for surety companies to issue bonds to small businesses in HUBZones will help us open the doors of opportunity a little wider in these communities.”**

HUBZones, or “Historically Underutilized Business Zones,” are census tracts in which income levels or unemployment rates qualify them as economically distressed. More than 7,000 urban census tracts and 900 mostly rural counties currently qualify as HUBZones. All federally-recognized Native American reservations also qualify.

SBA has recently launched the HUBZone Empowerment Contracting Program, which is designed to stimulate economic development and create jobs in urban and rural communities by

providing contracting preferences to small businesses that are located in a HUBZone and that hire employees who live in a HUBZone.

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Potential applicants can determine if their company is located within a HUBZone by using a new system available on the SBA's web site, at <http://www.sba.gov/hubzone>.

SBA's Surety Bond Guarantee Program is a public/private partnership that provides small and emerging contractors with a reasonable opportunity to fulfill bonding requirements and compete in the construction industry. Surety bonds guarantee that a contractor will comply with the terms and conditions of a contract, and are required on almost all sizable public construction projects and some service contracts. Many private sector projects and subcontracts also require contractors to post surety bonds.

Companies that benefit from the program often lack the financial strength needed to secure bonds through regular surety channels, even though they have the experience, ability and potential to become viable, successful firms that contribute significantly to the economy.

By making surety bonds available to qualified and deserving companies, the program ensures competitiveness and fairness in the construction industry. As a result, contracts are competed for the best possible prices, and savings are created on contracts awarded to these small businesses. Since its inception, the surety bond program has produced more than \$1 billion in savings.

This cost-effective assistance is produced at little or no cost to the taxpayers, since an average of \$10 million per year is generated in income through contractors and surety fees. SBA guarantees from 70 percent to 90 percent of losses incurred by surety companies in the event of a contractor's default on contracts not exceeding \$1.25 million.

In FY 1998, SBA guaranteed 2,860 final bonds for a contract amount of nearly \$531 million and 10,445 bid bonds with an estimated contract amount of nearly \$2.4 billion.

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*For more information on Surety Bond Guarantee Program, the HUBZone Program and other SBA programs, call the SBA Answer Desk at 1-800-U-ASK-SBA, or visit the SBA's extensive website at [www.sba.gov](http://www.sba.gov).*

*The U.S. Small Business Administration, established in 1953, provides financial, technical and management assistance to help Americans start, run, and grow their businesses. With a portfolio of business loans, loan guarantees and disaster loans worth more than \$45 billion, the SBA is the nation's largest single financial backer of small businesses. Last year, the SBA offered management and technical assistance to more than one million small business owners. The SBA also plays a major role in the government's disaster relief efforts by making low-interest recovery loans to both homeowners and businesses. America's 24 million small businesses employ more than 50 percent of the private workforce, generate more than half of the nation's gross domestic product, and are the principal source of new jobs in the U.S. economy.*

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